

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover of the Group for the period ended 30th September 2001 was approximately HK\$14.42 million and net loss for the period amounted to HK\$114.37 million. At 30th September 2001, the Group's capital deficiency amounted to HK\$336.07 million, compared to HK\$221.69 million at 31st March 2001.

Liquidity and financial resources

The Group's debt ratio measured by the total liabilities over the total assets was 187.9% at 30th September 2001, compared to 142.2% 31st March 2001. The Group has been unable to meet most of the scheduled repayments due to its bankers and creditors since August 1999, and most of the Group's credit facilities were either frozen or due for repayment.

The Group is now still engaged with its bankers and certain major creditors for negotiating and concluding a formal debt restructuring scheme. Pursuant to a letter of intent for restructuring of the Group's finance entered into between the Company and a potential investor on 5th July 2001, new loan amounted to HK\$1,330,000 was obtained to cover certain expenditure of the Company's operations in Hong Kong during the period.

Disposal of charged assets

During the period under review, 9 mortgaged residential units of the Group were force-sold by the mortgagee banks at a total consideration of HK\$25,493,000, and 113 car parking spaces of the Company were force-sold by a mortgagee bank at a total consideration of HK\$39,550,000. Proceeds on disposal of the aforementioned properties were being applied by the relevant banks for direct settlement of outstanding interest and loans due and other relevant outgoings of the transactions.

Staff

At 30th September 2001, the Group's total number of employees was 371, with most of them worked for the operations in Mainland China. Remuneration packages are generally structured by referring to the market terms and individual merits, which include mandatory provident fund scheme, employees share option scheme and medical insurance besides contracted salaries.

Though Labour Tribunal judgement (LBTC 2834/2001) has been granted on 9th October 2001 in favour of 6 outgoing staff members for outstanding payments in lieu notice, provident fund payments and severance payments in a total amount of HK\$479,525.20, the Company's management is still in negotiation with those people for settlement. The Company has maintained its remuneration packages to the remaining staff members to sustain its normal operations.